

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

9 6 — 0 0 3

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 8, 1996

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.252(b)

7. FEDERAL BUDGET IMPACT:

a. FFY 1996 \$ 24,986,100  
b. FFY 1997 \$ ---

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19-B, pp. 2a, 2b, and 2c.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Same.

10. SUBJECT OF AMENDMENT:

Special Outpatient Hospital Indigent Pool

11. GOVERNOR'S REVIEW (Check One):

- ☒ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Gerald H. Miller

14. TITLE:

Director

15. DATE SUBMITTED:

March 19, 1996

16. RETURN TO:

Michigan Dept. of Social Services  
235 S. Grand Avenue  
P.O. Box 30037  
Lansing, Michigan 48909

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

3/25/96

18. DATE APPROVED:

6/6/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

1-8-96

20. SIGNATURE OF REGIONAL OFFICIAL:

*Cheryl A. Harris*

21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator

Div. of Medicaid & Children's Health

23. REMARKS:

**RECEIVED**

MAR 25 1996

HCFA-V-DMMCP

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**  
**State Michigan**  
**POLICY AND METHODS FOR ESTABLISHING PAYMENT RATES**  
**(OTHER THAN INPATIENT HOSPITAL AND LONG TERM CARE FACILITIES)**

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The indigent volume portion of the outpatient adjustor is:

$$1 + (\text{Indigent volume} \times .40) + .15$$

Only hospitals with at least \$8,000,000 in indigent charges are eligible for the 0.15 supplement to the adjustor. Off campus satellite clinics eligible for special Medicaid reimbursement as satellite clinics in health manpower shortage areas are not eligible for the 0.15 supplement to the outpatient adjustor.

The indirect medical education portion of the outpatient adjustor is:

$$\left( \left( 1 + \frac{\text{Interns \& Residents}}{\text{Beds}} \right)^{.5795} - 1 \right) \times 1.5$$

The outpatient adjustor is the sum of the indigent care portion of the adjustor and the indirect medical education portion. Hospitals not located in Michigan or not enrolled in the Medicaid Program do not receive an adjustor for indigent volume or indirect medical education.

- 01/08/96 In addition to the regular indigent volume and indirect education adjustments normally included as part of the fee screen based payments, eligible hospitals will receive a proportional share from a special indigent pool. A total of \$44,012,800 will be distributed in periodic payments between January 8, 1996 and September 30, 1996. Preliminary payments from this pool will be made to eligible hospitals based on each hospital's estimated Medicaid outpatient payments during state fiscal year 1996. Final settlement of the \$44,012,800 will be done using state fiscal year (FY) 1996 paid claims data.
- 01/08/96 Eligibility for the special indigent pool is based on outpatient indigent volume data from hospital fiscal years ending between October 1, 1993 and September 30, 1994. These data have been subject to review and appeal and will not be changed.
- 01/08/96 Hospitals with outpatient indigent volume of between 50% and 70% and outpatient indigent charges in the eligibility year (cost periods ending between October 1, 1993 and September 30, 1994) of at least \$19,000,000 will be eligible for additional special outpatient indigent payments from the \$44,012,800 pool.

TN No. 96-03  
PAH

Approval \_\_\_\_\_

Effective Date 01/08/96

Supersedes 95-13

TN No. \_\_\_\_\_



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For the purpose of this pool, Medicaid outpatient hospital reimbursement to any single hospital will be allowed to exceed the hospital's Medicaid outpatient charges and Medicaid payment may exceed a hospital's outpatient Medicaid cost.

01/08/96 Exactly \$44,012,800 will be distributed to eligible hospital based on payments for services provided during state fiscal year 1996 (excluding direct medical education and the special indigent pool payments). The final settlement, using outpatient hospital Medicaid paid claims for eligible hospitals will be performed based on actual state fiscal year 1996 claims paid through December 31, 1997. Claims include Title XIX and Title V/XIX paid claims from provider types 40, 41 and 75.

The special indigent payments made under this provision will be exempt from the outpatient hospital charge and cost limits. The outpatient hospital charge limit is applied in the invoice processing system. Each outpatient claim is reimbursed the lesser of the fee screen based payments or actual charges. Claim line reimbursement in the invoice processing system does not include any special indigent pool payments. Those are made in a separate payment.

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PAN

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The cost limit is applied by each subprovider within a hospital at the time of hospital settlement. The Medicaid outpatient payment by subprovider is limited to a maximum of the Medicaid costs for that subprovider. The cost limit test is applied to all payments including the outpatient share of direct medical education but excluding any special indigent pool payments.

01/08/96 Aggregate Medicaid reimbursement to Michigan outpatient hospitals (including the special indigent pools) will not be allowed to exceed the federally imposed upper limit for outpatient services provided to Michigan recipients. To account for varying hospital year end dates, this test will be made annually based on hospital fiscal years ending during the State fiscal year (e.g. the test for 1996 will use hospital years ending between October 1, 1995 and September 30, 1996). If the test against the upper limit was exceeded, the size of the special indigent pool will be reduced by the amount in excess of the limit.

Between October 1, 1994, and March 31, 1995, qualifying children's hospitals will share in an outpatient adjustor pool of \$347,550. These payments will be in addition to the regular indigent column and indirect education adjustments normally included as part of the fee screen based payments. Eligibility for the pool is restricted to freestanding children's hospitals as defined for the purpose of the Medicaid Indigent Volume Report (Medical Assistance Program, Hospital Manual, Chapter VIII, page 19, item#3). Indigent volume charges and children's hospital status will be determined from the Medicaid Indigent Volume Report for hospital fiscal years (FY) ending between October 1, 1992 and September 30, 1993. To be eligible a children's hospital must have incurred outpatient indigent volume charges (for hospital fiscal years ending between October 1, 1992 and September 30, 1993) in excess of \$34,000,000. These data have been subject to review and appeal and will not be changed. Each eligible hospital will share in the pool proportionately using the ratio of the hospital's FY 1995 Title XIX estimated outpatient charges to the sum of FY 1995 Title XIX estimated outpatient charges for qualifying hospitals.

The \$347,550 will be paid on or after October 1, 1994, provided that the Michigan Department of Public Health transfers \$150,000 to the Michigan Department of Social Services. When additional funds of \$347,550 (for a FY 1995 total of \$695,100) are appropriated for the time period covering April 1, 1995 through September 30, 1995, and after the Michigan Department of Public Health transfers another \$150,000 to the Michigan Department of Social Services, an additional installment of \$347,550 will be paid to qualifying children's hospitals. When appropriated, the second installment of \$347,550 will be paid on or after April 1, 1995. These payments will be made based on the best data available.

TN No. 96-03  
PAH

Approval \_\_\_\_\_

Effective Date 01/08/96

Supersedes

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